

ROUTING

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Friday 18 August 1978 CG NIDC 78/193

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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State Dept. review completed

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National Intelligence Daily Cable for Friday, 18 August 1978.

The NID Cable is for the purpose of informing senior US officials.

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India
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Norway-USSR
USSR

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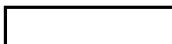
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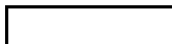


LEBANON: Southern Situation

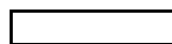
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 The withdrawal of most of the Lebanese Army troops from Kawkaba in southern Lebanon earlier this week has strengthened the hold of the Israeli-backed Christian militias over the area. Syria, however, is encouraging Muslim Lebanese efforts to build up their forces in the south as a counterweight to the Christians.

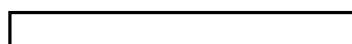
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 Lebanon's UN Ambassador told US officials in Beirut yesterday that President Sarkis has decided to sit tight for now. He will keep a symbolic presence in Kawkaba but will send no additional troops to the south and will continue diplomatic efforts to establish Beirut's control over the area. Sarkis has also decided to cut off the salaries of the renegade Lebanese officers who lead the militiamen, severing their last ties to the Beirut Government.

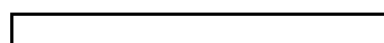
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 Sarkis' move will have little impact on Major Haddad, the principal militia leader, because Haddad's clout depends on Israel rather than Beirut. Israel provides Haddad with arms and ammunition, and an Israeli officer usually accompanies him in negotiations with UN forces. As a result, the Israelis exercise considerable control over Haddad's activities, although they cannot always curb his reckless behavior. In most cases, Haddad and the Israelis do not disagree over policy, and their relationship is mutually reinforcing.

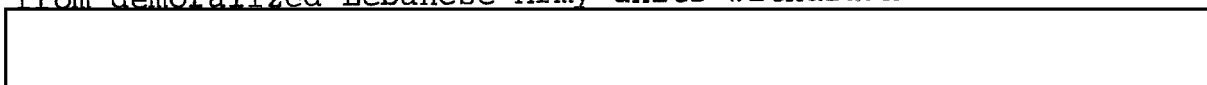
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 //Syria, which strongly supported Sarkis' effort to deploy the Army into the south, is now building up Muslim Lebanese forces in the area. Syria recently released from detention a former Muslim Lebanese Army officer, Ahmed Khatib, who led a pro-Palestinian breakaway fraction of Muslim soldiers during the civil war. The Syrians arrested Khatib in 1976 when they were working closely with the Christians.//

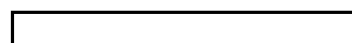
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 //Khatib is now trying to reconstitute his "Lebanese Arab Army" around Nabatiyah with Syrian and Palestinian support. Khatib may have already attracted a few deserters from demoralized Lebanese Army units withdrawn from Kawkaba.

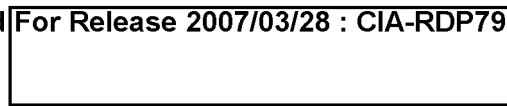
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 //The Syrians have also recently agreed to start training the followers of leftist Druze leader Walid

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Jumblatt. The Syrians have been wooing Jumblatt for several months, and he is said to believe that the relationship will continue to improve.//

25X1 [] The Syrians are undoubtedly aware that Khatib and Jumblatt do not have the capability to remove Haddad's men from their enclaves along the Israeli border; Damascus probably wants to build up the leftists to extend Syrian influence in the south and develop Muslim allies against its Christian enemies in Lebanon, but these allies will be difficult to control. 25X1

AFGHANISTAN: Minister Arrested

25X1 [] //Afghan President Taraki has risked a confrontation with the military by arresting Defense Minister Abdul Qader and Chief of Staff Shahpoor for plotting against the government. The military was already unhappy about the influx of Soviet advisers and fighting against the Pathan tribes.//

25X1 [] //The US Embassy in Kabul reports that the military appears to be in a slightly higher state of alert but that Kabul is quiet. It is unclear whether Qader was actually plotting against Taraki, or whether Taraki is trying to take advantage of current widespread coup rumors to cut down a potential rival. Several groups have been reported planning coups, but Qader has not been mentioned among the plotters.//

25X1 [] //Although Qader apparently is fairly popular, as an Air Force officer he has no special claim to the loyalty of the more important Army. His personal influence, however, may have been crucial in winning Air Force support for the coup that brought Taraki to power last April.//

25X1 [] //Taraki, working largely through Foreign Minister Amin, has tried to make the officer corps directly loyal to the ruling party rather than rely on Qader and the chain of command. He did have the backing of the military when he moved against his civilian rivals in the party last month, but in that confrontation the military and Taraki presumably had a common interest in moving against those they believed wanted to move too quickly on domestic reforms and were too friendly toward the Soviets. 25X1

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IRAQ-PRC: Reported Overtures

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[redacted] //Iraq in recent weeks has made several overtures to China aimed at improving bilateral relations. These initiatives come at a time of strained relations with the USSR. They are intended as a reminder of Iraq's unhappiness with Soviet activities in South Yemen and the Horn of Africa and of Iraq's intention to pursue an independent foreign policy.//

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[redacted] //While relations between Baghdad and Peking in the past have not been particularly warm or extensive, Iraq is aware of the moves China is making toward establishing contacts with the Persian Gulf countries. Iraq is now interested in expanding economic contacts and cooperating on oil-related projects with Peking. Earlier this year, relations were tense because of Iraq's insistence that China move its chancery in Baghdad, ostensibly for security reasons.//

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[redacted] //The Chinese are responding to these overtures in order to take advantage of the friction between Iraq and the USSR. A high-ranking Chinese delegation is scheduled to visit Baghdad soon,

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CHINA: Death of Lo Jui-ching

25X1 [] //The death on 3 August of Lo Jui-ching, Secretary General of the Chinese Communist Party's Military Commission, deprives Vice Premier Teng Hsiao-ping of an important ally in his drive to modernize the Army. Lo's death comes at a time when problems with the military modernization program may be increasing and when Teng seems to be losing patience with bureaucratic footdragging. The leadership may have problems reaching agreement on a replacement for Lo.//

25X1 [] //Lo was in charge of the day-to-day implementation of military policy and occupied the key position between the decisionmaking authority--the Military Commission Plenum--and the military chain of command. By virtue of his influence and prestige in the military, he apparently played a crucial role in implementing Teng's sometimes controversial policies for modernizing the military and redefining its political role. Lo apparently shared Teng's desire for a more professional and modern army.//

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[] //Factional infighting in the leadership will undoubtedly complicate the task of finding a replacement for Lo. This will also be made more difficult if the leadership cannot decide whether to name yet another aged veteran or to promote a younger officer.//

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[] //Relations between the party and the military are particularly sensitive now. The emphasis on modernization has stirred old controversies over professionalization, the proper role of politics, the importance of the militia, and military strategy. Two senior members of the Military Commission recently criticized unnamed officers who "fail to understand" the role of the militia and who apparently question the validity of China's military strategy. This suggests that there is growing dissension--and possibly some confusion--in the ranks over present policy.//

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[] //Teng is determined to revitalize and discipline the officer corps, by purge if necessary, much as has been done with the civilian bureaucracy. Some regional commands have shown little enthusiasm for such a program, and there may even be substantial resistance. The recent purge in Canton Military Region, one of the least politically troublesome commands, is the first major instance of active rectification, and it took the combined efforts of three senior Politburo members to remove only a handful of middle-level officers.//

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[] //Teng remains convinced that only his ideas and workstyle can solve the complicated problems that currently face China, including those in the military. Teng's speech at Lo's funeral criticized those who have difficulty "readily accepting innovations" and clearly indicated that he is running out of patience with bureaucratic resistance to his programs.

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FRANCE: European Monetary System

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[] //Bank of France officials are cautiously formulating a French position on the proposed European Monetary System, which would link a number of currencies in a joint float. Several issues remain unresolved, but the Bank is under orders from French President Giscard to develop a position in time for the meeting on 18 September of European Community Deputy Finance Ministers.//

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[REDACTED] the Bank of France has serious reservations about implementing a European Monetary System without a simultaneous commitment by EC governments to improve the coordination of economic policies. Working-level Bank experts believe that an EMS would not receive enough political backing and that policy coordination would not be adequate to give the EMS more than a year's life-span.//

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[REDACTED] //Bank of France officials are considering several issues as they move toward preparing a French position. The Bank believes that formal provision should be made for members of the EMS to withdraw temporarily from any new joint currency float. Bank experts also favor a proposal made at the Bremen conference in July that each monetary system participant should contribute the equivalent of 20 percent of its reserves to a common reserve pool, the European Monetary Fund.//

[REDACTED] //Finally, the Bank favors creation of a European currency unit, based on a still undefined weighted average of member currencies, that would be used in inter-bank transactions. [REDACTED]

INTERNATIONAL: Common Fund

[REDACTED] //Informal consultations between industrialized and developing countries resume today in Geneva over the proposed UNCTAD common fund for commodities. The developing countries are worried about the possibility of accepting commitments that could lead to the fund's establishment.//

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BRIEFS

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India

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[] A compromise solution may have been worked out between Indian Prime Minister Desai and dissident members within the ruling Janata Party.

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[] A controversy has smoldered for months with occasional flareups. Home Minister Singh, leader of one of the five component groups within Janata, has criticized Desai and aroused the Prime Minister's special ire by accusing Desai's son of improper conduct.

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[] Peacemakers within Janata have been working for weeks to find a compromise solution to the dispute. The latest proposal would install Singh as President of Janata and would have

Desai appoint two members of Singh's group to take the cabinet positions vacated in June. In return, Singh and the other ousted cabinet minister would agree to make no further statements on the cause of their dismissals.

Events of recent weeks have embittered relations between Desai and Singh, and a lasting peace will be difficult to bring about. Working to support a compromise, however, is the recognition that conflict within the ruling party is helpful only to the opposition--specifically to Indira Gandhi.

Pakistan

The formal break between the National Democratic Party and the Pakistan National Alliance, announced on Wednesday, reduces even further the value of Alliance support for General Zia's military government. Zia had hoped to secure participation by most of the political parties in opposition to former Prime Minister Bhutto in order to give his martial law administration the appearance of widespread popular support. The split also puts the Democrat Abdul Wali Khan--one of Pakistan's most prominent politicians--more clearly in opposition to the military government.

After months of effort and several failures, Zia was reported to have worked out an agreement for Alliance participation in the government early this month. The National Democrats--the leading party in Pakistan's two western provinces--characterized the agreement as a "betrayal" of the Pakistani people. The Alliance--once a coalition of nine parties including all significant opposition to Bhutto--is now reduced to six parties; the large but weakly organized Pakistan Muslim League and small Islamic parties.

Norway-USSR

Norwegian Minister Jens Evenson made little headway on the Svalbard fisheries dispute in his talks this week with Soviet officials in Moscow.

the Soviets were adamant in their refusal to allow Norwegian enforcement of regulations within the Svalbard fisheries preservation zone. The Soviets apparently are willing for the time being to provide the Norwegian Government with monthly figures on Soviet catches but refuse to report Soviet ship activity within the zone.

[] The Norwegians have told the Soviets that they have no intention of backing away from enforcement, despite implied Soviet threats of confrontation. Norway, however, is under pressure from the EC to enforce the regulations without discrimination or risk wider non-compliance.

[] Another round of talks is scheduled for 16 October in Oslo. These negotiations are not likely to result in much progress on the fisheries dispute until some understanding is reached between the two countries on the broader issue of conflicting Soviet and Norwegian sovereignty claims in the northern maritime area. []

USSR

[] //A new Soviet chemical port on the Black Sea at Grigoryevka will formally open on Tuesday. It will help relieve port congestion at Odessa and Ilichevsk and is expected ultimately to handle more tonnage than any other Black Sea port. The new port is 25 kilometers northeast of Odessa at the terminus of a 2,300-kilometer ammonia pipeline being built from Tolyatti.//

[] //Port construction will continue for some time after the formal opening. More than 12 million cubic meters of sea floor are being dredged so that the harbor and feeder channel can accommodate 200,000-ton-capacity ships. Wharves and apartments for the labor force are also still under construction. The pipeline from Tolyatti will not be completed before 1980, but a 900-kilometer segment of the pipeline, connecting the port and an ammonia plant at Gorlovka, is scheduled to open later this year. Until then, rail transport is being used.//

[] //The port is a key element in a 20-year trade agreement between the Soviets and Occidental Petroleum Company. In exchange for liquid ammonia, urea, and potash, the company will provide superphosphoric acid, which the Soviets will use to produce badly needed fertilizers. []

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